GLBL 532
International Business Environment and Global Economic Governance

Fall 2018
Weds. 6:00-9:00 PM
Rayzor 123

Professor (Adjunct): Andrew Wolfe
Office hours: by appointment
E-mail: amw18@rice.edu

PURPOSE: This is a comprehensive course on how the governance of the global economy affects business and investment decisions. It is designed to provide students with an understanding of the main international economic institutions that have been developed to oversee the global economy, and how these institutions affect the international business and investment climate. Lectures and class discussions will focus on real world examples of the impact of international trade, development, and financial institutions (the G-6, 7, or 8?, G-20, World Trade Organization (WTO), International Monetary Fund (IMF), and World Bank (IBRD)) on global and individual country economic environments.

The learning objectives of this course, which will be tested in various ways, are to become familiar with the essential facets, institutional features, and economic, political and financial impact of the leading global economic governance organizations, and to understand how to interpret their public pronouncements.

GRADES: The final grade in this course will have three components: attendance and participation in group quiz work and in-class debates, three restricted-prep-time, one-page, memos, and a research project.

1. **Attendance and participation in debates and group quiz work – 30%**

We will start designated classes (as identified in the attached course schedule) by students taking a short quiz (true/false and/or multiple choice) on the readings and current events pertinent to the topic. Students will then take their responses and meet in small groups to discuss among

themselves their answers and then submit a group quiz that will be graded. The results of the quiz will generate much of the discussion and lecture for that day. Discussion classes will work best if all students participate and, thus, all students are expected to contribute to the quiz question discussions and obviously in the class debates.

Note: to maximize the benefits from this structure, students will need to follow the news on international economic governance and business environment issues. The best sources are Bloomberg News, The Economist, and The Financial Times. Required readings for each lecture are specifically kept to modest levels on the understanding that students will be following the news closely. ***As the class is discussion based, you need to attend every class. Each unexcused absence will result in a half grade reduction in the final grade for the course***.

2. Prep-time-restricted, 1-page, memo writing – 30%

A skill that is extremely important for working at international organizations, multinational businesses, or public policy institutions is the ability to tackle a complex and broad issue and distill the key information into a short memo. In this course, we will practice this skill through one-page written assignments in the form of a memo to the class professor using the template (and example of the style of such memo writing) at the end of the syllabus. ***When writing your memo, copy the template to a blank WORD document and use that for your submission. The memo must be in WORD and can be no longer than 1 page, with no adjusting of margins or fonts.***

As you will see in the template, the memo includes two sections: the first is a short (italicized) introduction that in one or two sentences lays out the issue and in another one or two sentences explains the recommendations and/or findings. The second section explains why you make your recommendations and/or details the findings. The writing style is inverse to how we often write--here the conclusion of the paragraph is first and bolded, followed by the reasoning behind the conclusion. Background, if

needed, should be at the very end of the memo. Attached to the memo should be a bibliography of sources that were used to inform the memo. The bibliography should include at least two sources from materials outside of the syllabus. Newspapers, magazines, and blogs of reputable scholars are acceptable, Wikipedia is not.

Each written assignment will be scored as follows: (i) the italicized lead-in is worth 25%; (ii) the detailed discussion is worth 65%; and (iii) the bibliography is worth 10%. ***Any change to the template or submission in a program other than WORD will cost half a grade. Any late submission will result in a loss of, at a minimum, one full grade.***

3. Research Project – 40%

- **Research topic choice**—submissions due by **5 pm September 5** and then again, if a revision is necessary, by **5 pm September 12**
- **Research outline + literature review** – due by **5 pm October 3** (**5%**)
- **Draft Power Point presentation** (for in-class presentation either November 28 or December 5) – due by **9 pm November 18** (**10%**)
- **Final research project paper**, including one-page cover memo – due by **5 pm December 12** – (**25%**)

The purpose of the research project is to provide you with an opportunity to apply the information you learn in class to an area that is of interest to you. The project is divided into four stages as noted above.

- *Research topic choice*. Please email me by 5pm on September 5 the issue that you would like to research. It could be an overseas investment strategy for a multinational firm at which you might want to work, reforming a multilateral organization, or coordinating a domestic public policy issue, such as healthcare reform, with a multilateral organization. Feel free to communicate with me your ideas before the September 5 due date to get early feedback. After you submit your choice, I will get back to you with either a short “go ahead” or will give

you some additional feedback to help you refine your ideas. Any revision is due by 5pm on September 12.

- *Research outline and literature review*. This step is to submit a 1-2 page outline with the specific issues you will cover in the project and another 2-3 pages of short summaries of each of the sources that you intend to use on the project. There is no specific format for this submission other than to use WORD so I can give feedback through tracked changes in your document. The grade here will mostly be a function of meeting the submission deadline. Again, feel free to communicate with me your ideas before the due date to get early feedback. This is due by 5pm October 3.

- *Draft Power Point presentation for your in-class presentation:* I will give you feedback on the slides as quickly as I can in advance of your presentation. The grade here will be determined by the progress you have made toward a finalized project and the clarity and command of your material at your presentation. Again, feel free to communicate with me your ideas before the due date to get early feedback. This is due by 9pm on November 18.

- ***Final research project paper***. This would be the sum of the work you have done plus the feedback obtained from both myself and your classmates. It should include the following: (i) **a one-page cover** memo to me, using our template, that in the italicized introduction includes the issue being analyzed and the main conclusions, followed by summary paragraphs of the main findings (no bibliography for the one-page cover is needed); (ii) your **full report** on the topic, **written in the style of the cover memo**, i.e., conclusion of the paragraph first and bolded, followed by the reasoning behind the conclusion. The report should be **no more than 2500 words** (charts, figures, tables, do not count toward the word limit); and (iii) a bibliography.

The Rice University Honor Code applies to all assignments for this course.

If you have a documented disability that may affect academic performance, you should: 1) make sure this documentation is on file with Disability Resource Center (Allen Center, Room 111 /adarice@rice.edu / x5841) to determine the accommodations you need; and 2) meet with me to discuss your accommodation needs.

Course Schedule:

WED. AUGUST 22

Introduction to the Global Economic and Business Environment

- Course introduction
- Syllabus review
- Overview of the G's, IMF, World Bank and WTO

Required readings:

"2018 G-7 Summit Communique", Canada.

G-20 Leaders, "Washington Declaration: Summit on Financial Markets and the World Economy", Nov. 15, 2008.

IMF Blog, "The Global Expansion: Still Strong but Less Even, More Fragile, Under Threat", July 16, 2018.

IMF Blog, "Addressing Global Imbalances Requires Cooperation," July 24, 2018.

Supplemental readings:

Jeffrey Frenkel, "The Trouble with International Policy Coordination," Project Syndicate, Nov. 24, 2015.

Dani Rodrik, "The False Economic Promise of Global Governance", Project Syndicate, Aug. 11, 2016.

Kermal Dervis, "What Role for Global Governance?", Brookings OP-ED, August 22, 2016.

Mohammed El-Erian, “Why Markets and Political Scientists Disagree on the G7”, Project Syndicate, June 19, 2018.

Joseph E. Stiglitz, “Lessons from the Anti-Globalists”, May 1, 2017.

Brookings, ”What to Expect at the G-7 Summit”, June 6, 2018.

G-20 Leader’s Declaration, Shaping an Interconnected World, Hamburg, July 7-8, 2017.

G-20 Summit 2016, China.

WED. AUGUST 29

Introduction to the Global Economic and Business Environment (cont.)

- Overview of the G’s, IMF, World Bank and WTO
- ***Quiz #1: Covers readings for August 22 and August 29***

Required readings:

Mark Beeson and Stephen Bell, “The G-20 and International Economic Governance: Hegemony, Collectivism, or Both?” Global Governance, January-March 2009, 15(1): 67-86.

Ronald Coase, “The Problem of Social Cost,” Journal of Law and Economics, Vol. 3 (Oct.1960) pp. 1-44.

Fen Osler Hampson and Paul Heinbecker, “The ‘New’ Multilateralism of the Twenty-First Century,” Global Governance, July-September 2011, 17(3): 299-310.

IMF Blog, “Shifting Tides: Policy Challenges and Opportunities for the G-20”, July 18, 2018.

Paola Subacchi, “Saving the International Economic Order”, Project Syndicate, September 1, 2017.

Supplemental readings:

Morris Goldstein, "Integrating Reform of Financial Regulation with Reform of the International Monetary System," Working Paper 11-5, Peterson Institute for International Economics, February 2011.

Simon Johnson, "Failure at the Financial Stability Board," Project Syndicate, Nov. 30, 2015.

Rebecca M. Nelson, "The G-20 and International Economic Cooperation: Background and Implications for Congress," CRS Report, April 2012.

Edwin M. Truman, "G-20 Reforms of the International Monetary System: An Evaluation," Peterson Institute for International Economics, November 2011.

WED. SEPTEMBER 5

Open-Economy Macroeconomics and the Role of the IMF in Shaping the international Economic Environment

- **Research topic choice due by 5 pm**

Required readings:

Michael Spence, "Emerging Vulnerabilities in Emerging Economies," IMF, Project Syndicate, August 24, 2018.

"G-20 Surveillance Note", July 21-22, 2018.

Independent Evaluation Office, "IMF Performance in the Run-Up to the Financial and Economic Crisis: IMF Surveillance in 2004-2007," IMF, 2011.

Joseph E. Stiglitz, "The Myth of Secular Stagnation," Project Syndicate, August 28, 2018.

Brookings reprint of WSJ on Larry Summers talk, "Secular Stagnation Even Truer Today", May 30, 2017.

Recommended Review readings:

Rudiger Dornbusch and Stanley Fischer, Macroeconomics, Sixth Edition, Chapters 4-6.

Supplemental readings:

Barry Eichengreen and Ngaire Woods, "The IMF's Unmet Challenges," Journal of Economic Perspectives, Winter 2015, pp. 29-52.

Nouriel Roubini, "A Financial Early-Warning System," Project Syndicate, August 27, 2015.

IMF website, imf.org: 2017 Annual Report.

WED. SEPTEMBER 12

The IMF and the Issue of Sovereign Debt Restructuring

- **Quiz #2: Covers readings for September 12**
- **Revised research topic choice (if necessary) due by 5 pm**

Required readings:

Anne O. Krueger, "A New Approach to Sovereign Debt Restructuring," International Monetary Fund, 2002.

Joseph E. Stiglitz and Martin Guzman, A Step Forward for Sovereign Debt," Project Syndicate, Nov. 9, 2015.

IMF Blog, "Bringing Down High Debt," April 18, 2018.

Policy and Development Review Department, "Cross-Country Experience with Restructuring of Sovereign Debt and Restoring Debt Sustainability," IMF, Aug. 29, 2006.

Supplemental readings:

Ricardo Hausmann, "Good Credit Ratios, Bad Credit Ratings: The Role of Debt Structure," in Rules-Based Fiscal Policy in Emerging Markets, ed. by George Kopits (New York: Palgrave MacMillan, 2004).

Eric Helleiner, "The Evolution of the International Monetary and Financial System," in John Ravenhill (ed.), op. cit., 216-243.

Carmen Reinhart and Christoph Trebesch, "The International Monetary Fund: 70 Years of Reinvention" Journal of Economic Perspectives, Winter 2016, pp. 3-28.

Michael D. Bordo et al., "Keeping Capital Flowing: The Role of the IMF," International Finance, December 2004, 7(3): 421-450.

C. Randall Henning, "Coordinating Regional and Multilateral Financial Institutions," Working Paper 11-9, Peterson Institute for International Economics, March 2011.

Edwin M. Truman and Garry J. Schinasi, "Reform of the Global Financial Architecture," Working Paper 10-14, Peterson Institute for International Economics, October 2010.

Barry Eichengreen, "Airing the IMF's Dirty Laundry", Project Syndicate, Aug. 12, 2016.

Axel Dreher and Stefanie Walter, "Does the IMF Help or Hurt?" World Development, January 2010, 38(1):1-18.

Allan H. Meltzer, "The IMF Returns," Review of International Organizations, September 2011, 6(3-4): 443-452.

Koen van der Veer and Eelke de Jong, "IMF-Supported Programs: Stimulating Capital to Solvent Countries," De Nederlandsche Bank Working Paper #244, March 2010, The World Economy, 2013.

Robert J. Shiller, "Fighting the Next Global Financial Crisis," Project Syndicate, May 18, 2016.

Joseph E. Gagnon, “Combating Currency Manipulation,” Policy Brief 12-19, Peterson Institute for International Economics, July 2012.

WED. SEPTEMBER 19

Debate 1, Should the IMF have lent and continue to lend to Greece

Recommended readings:

Independent Evaluation Office, “The IMF and the Crises in Greece, Ireland, and Portugal”, IMF, July 2016.

“How the IMF’s Misadventure in Greece is Changing the Fund,” Financial Times, Aug. 28, 2015.

Greece country reports 2011-2017 on IMF website.

WED. SEPTEMBER 26

- ***First memo assignment. Opens at 6pm and closes at 9pm.***
  Note: You can do the assignment from your choice of location—e.g., home, the library; there is no classroom meeting this day.

WED. OCTOBER 3

Investing in Developing Countries—IMF, World Bank, and Regional Bank Facilities and Resources

- **Quiz #3: Covers readings for October 3**
- **Outline for research project is due by 5 pm**

Required readings:

Matthew S. Winters and John A. Gould, “Betting on Oil: The World Bank's Attempt to Promote Accountability in Chad,” Global Governance, April-June 2011, 17(2): 229-245.

John Anderson and Adrian Gonzalez, “Does Doing Business matter for foreign direct investment?”, World Bank Doing Business case study, 2013.

Jamal Ibrahim Haidar, “The impact of business regulatory reforms on economic growth,” The Journal of the Japanese and International Economies, 2012.

Supplemental readings:

William Easterly, “Are Aid Agencies Improving?” Economic Policy, October 2007, 22(52): 633-678.

Rebecca M. Nelson, “Multilateral Development Banks: Overview and Issues for Congress, CRS Report, November 2013.

World Bank, “Doing Business 2018 Reforming to Create Jobs,” 2018.

World Bank Annual Report, 2017.

ICSID Annual Report 2017.

IFC Annual Report 2017.

Independent Evaluation Group, “Results and Performance of the World Bank Group 2017,” World Bank, 2018.

MIGA Annual Report, 2017.

Martin Ravallion, “The World Bank: Why It Is Still Needed and Why It Still Disappoints,” Journal of Economic Perspectives, Winter 2016, pp. 77-94.

Michael A. Clemens and Michael Kremer, “The New Role for the World Bank,” Journal of Economic Perspectives, Winter 2016, pp. 53-76.

Jesús Crespo Cuaresma, Wolfgang Fengler, Homi Kharas, Michael Brottrager, and Martin Hofer, “Will the Sustainable Development Goals be Fulfilled? Assessing Present and Future Global Poverty,” Palgrave Communications, April 2018.

World Bank Doing Business Indicators, World Bank website, worldbank.org.

WED. OCTOBER 10

Debate 2: Should the World Bank have recently supported the Trans-Anatolian Natural Gas Pipeline (TANAP)?

Recommended readings:

World Bank Project Appraisal Report on TANAP Project, November 22, 2016.

World Bank Press Release on TANAP project, December 20, 2016.

Bankwatch, Baku-Tbilisi-Ceyhan Pipeline, Caucasus, https://bankwatch.org/project/baku-tbilisi-ceyhan-pipeline-caucasus.

IFC report on Baku-Tbilisi-Ceyhan Pipeline, September 2006.

WED. OCTOBER 17

International Trade and WTO Oversight

- **Quiz #4: Covers required readings for October 17**

***Required readings*:**

Richard Baldwin, "The World Trade Organization and the Future of Multilateralism," Journal of Economic Perspectives, Winter 2016, pp. 95-116.

The Economist, "The World Trading System is Under Attack—Trade blockage," July 19, 2018.

Rohinton P. Medhora, "The Future of Trade," Project Syndicate, June 20, 2017.

Supplemental readings:

Anders Aslund, "The World Needs a Multilateral Investment Agreement," Policy Brief 13-1, Peterson Institute for International Economics, January 2013.

Keith E. Maskus, Private Rights and Public Problems: The Global Economics of Intellectual Property in the 21st Century (Washington, DC: Peterson Institute for International Economics, 2012), selected chapters.

Ann Capling and Richard Higgott, “Introduction: The Future of the Multilateral Trade System: What Role for the World Trade Organization?” Global Governance, July-September 2009, 15(3): 313-325.

Heribert Dieter, “The Multilateral Trading System and Preferential Trade Agreements: Can the Negative Effects Be Minimized?” Global Governance, July-September 2009, 15(3): 393-408.

Miriam Sapiro, “Why Trade Matters,” Brookings Institution, September 2014.

John Ravenhill, “Regional Trade Agreements,” in John Ravenhill (ed.), ibid: 174-211.

Patrick Low, “Potential Future Functions of the World Trade Organization,” Global Governance, July-September 2009, 15(3): 327-334.

Anne Kreuger, “How Imports Boost Employment,” Project Syndicate, Feb. 25, 2017.

Dani Rodrik, “Fairness and Free Trade,” Project Syndicate, May 12, 2016.

Dani Rodrik, “Too Late to Compensate Free Trade’s Losers,” Project Syndicate, Apr. 11, 2017.

Joseph E. Stiglitz, Dean Baker, and Arjun Jayadev, “Intellectual Property for the 21st Century Economy,” Project Syndicate, Oct. 17, 2017.

Amrita Narlikar, “New Powers in the Club: The Challenges of Global Trade Governance,” International Affairs, 86(3), 2010: 717-728.

Jeanne J. Grimmett, “Dispute Settlement in the World Trade Organization (WTO): An Overview,” CRS Report, August 2012.

Emily C. Barbour, “Trade Law: An Introduction to Selected International Agreements and U.S. Laws,” CRS Report, April 2012: 1-55.

Gilbert R. Winham, “The Evolution of the Global Trade Regime,” in John Ravenhill (ed.), Global Political Economy, 3rd ed. (New York: Oxford University Press, 2010): 137-172.

Visit www.wto.org and look through the site and the latest WTO Annual Report.

WED. OCTOBER 24

Debate 3: Should the United States withdraw from the WTO?

Recommended readings:

Mireya Solis, “America First is a losing strategy on trade,” Project Syndicate, Oct. 24, 2017.

Nouriel Roubini, “America First and Global Conflict Next,” Project Syndicate, Jan. 2, 2017.

Kaushik Basu, “America’s Dangerous Neo-Protectionism,” Project Syndicate, February 13, 2017.

Keyu Jin, “China’s Weapons of Trade War,” Project Syndicate, February 22, 2017.

Robert J. Schiller, “How to Protect Workers Without Trade Tariffs,” Project Syndicate, July 17, 2018.

Martin Feldstein, “Inconvenient Truths about the US Trade Deficit,” Project Syndicate, April 25, 2017.

Martin Feldstein, “The Real Reason for Trump’s Steel and Aluminum Tariffs,” Project Syndicate, May 15, 2018.

Barry Eichengreen, “The Economic Consequences of Trump’s Trade War,” Project Syndicate, July 12, 2018.

Anne O. Kreuger, “Trump’s Trade Disaster,” Project Syndicate, June 8, 2018.

Dani Rodrik, “Trump’s Trade Gimmickry,” Project Syndicate, March 9, 2018.

Christopher Smart, “Trump’s Trade Illogic,” Project Syndicate, June 22, 2017.

Joakim Reiter and Guillermo Valles, “Trump’s Trade Revanchism,” Project Syndicate, March 3, 2017.

Kenneth Rogoff, “Why Trump Can’t Bully China,” Project Syndicate, February 9, 2017.

WED. OCTOBER 31

- ***Second memo assignment. Opens at 6pm and closes at 9pm.*** Note: You can do the assignment from your choice of location—e.g., home, the library; there is **no classroom meeting this day**.

WED. NOVEMBER 7

NO CLASS

- ***Draft Power Point presentations are due by 9 pm***. I will get you feedback asap for your presentation on either Nov. 28 or Dec. 5.

WED. NOVEMBER 14

International Tax Issues and the Impact on Business Decision-making: Base Erosion and Profit Shifting (BEPS)
Note: for this class, we will have a guest speaker—Mr. Lawrence Orenstein--of Deloitte Tax LLP.

Required readings:

IMF, “Policy Paper Spillovers in International Corporate Taxation”, May 9, 2014.

David Wentworth and Roberto Schatan, “International Taxation: Opportunities and Risks—Offshore Transfer of Assets,” Fiscal Affairs Department, IMF, April 17, 2016.

OECD/G20 Base Erosion and Profit Shifting Project Explanatory Statement, Final Reports, 2015.

Supplemental Readings:

Robert J. Barro and Jason Furman, "The Macroeconomic Effects of the 2017 Tax Reform," Brookings Institute, BPEA Conference, March 8-9, 2018.

James Kanter, "E.U., Citing Amazon and Apple, Tells Nations to Collect Tax," N.Y. Times, Oct. 4, 2017.

Luke Stangel, "Here's how much cash Apple might bring back into the U.S. under Trump's tax plan," Silicon Valley Business Journal, Nov. 3, 2017.

Adam Looney, "Repatriated earnings won't help American workers—but taxing those earnings can," Brookings blog, Oct. 31, 2017.

Bernadette Baum (ed.), "Tax-dodge strategists probe loopholes in new U.S. law, IRS wary," May 25, 2018.

Martin Feldstein, "The International Consequences of US Tax Reform," Project Syndicate, Sep.27, 2017.

William G. Gale, Hilary Gelfond, Aaron Krupkin, Mark J. Mazur, and Eric Toder, "Effects of the Tax Cuts and Jobs Act: A Preliminary Analysis", Tax Policy Center, June 13, 2018.

Max A. Cheney, "Facebook's Irish Goodbye to Overseas Tax Shelter Stands Out," MarketWatch, Dec. 14, 2017.

Thomas Horst, "A Note on the Optimal Taxation of International Investment Income," Quarterly Journal of Economics, Vol. 94, No. 4, June 1980, pp. 793-798.

Thomas Horst, "The Theory of the Multinational Firm: Optimal Behavior under Different Tariff and Tax Rates," Journal of Political Economy, Vol. 79, No. 5 September-October 1971, pp. 1059-1072.

Brian K. Kovak, Lindsay Oldenski, and Nicholas Sly, “The Labor Market Effects of Offshoring by U.S. Multinational Firms: Evidence from Changes in Global Tax Policies,” NBER Working Paper Series, WP23947, Oct. 2017.

Thomas R. Torslov, Ludvig S. Wier, and Gabriel Zucman, “The Missing Profits of Nations,” NBER Working Paper Series, WP24701, June 2018.

WED. NOVEMBER 21

THANKSGIVING BREAK—No class, have a great holiday and do give thanks for what you have.

WED. NOVEMBER 28 and DECEMBER 5

- **In class presentations.**

WED. DECEMBER 12

Final Research Paper due by 5 pm.

RICE UNIVERSITY
Houston, Texas

To: Professor Wolfe
From: [Student name]
Date: [Due date]

Re: [**Assignment Issue: brief your boss on the economic situation of a country that he or she will be visiting]**

The macroeconomic outlook is broadly favorable. Your discussions should focus on fiscal- and external-sector policies

The macroeconomic outlook remains broadly favorable. Real GDP growth is projected to slow to about 4.3 percent in 2018, and later converge to its long-term potential (estimated at 4 percent). Inflation is expected to pick up to 7 percent in 2018, from a low of 5.7 percent last year, anchored by the crawling peg (5 percent per year). The external current account deficit is projected to remain broadly unchanged (11.8 percent of GDP), and international reserves coverage will continue at above 3½ months of imports.

The authorities continue to embrace a macroeconomic strategy aimed at lowering the public debt ratios, lessening dependence on oil imports, and increasing international reserves. Given the recent robust economic performance, the authorities' policies enjoy relatively wide support. Broadly in line with the authorities' economic strategy, our projections suggest that consolidated public sector deficits would remain below 2 percent of GDP over the medium term and the public debt ratio will decline to 32 percent of GDP by 2020.

Monetary policy remains anchored by the crawling peg. The authorities just announced their interest in lowering dollarization, which has provoked mostly negative public reaction given the long history of monetary instability. You might consider suggesting that they address this issue in the context of long-term institutional and monetary reform.

Large planned investments may significantly change the macroeconomic outlook. The results of feasibility studies for the construction of a large dam project and expansion of the national highway system are expected to be published later this year. At that time, the foreign investors who are undertaking these projects are also expected to announce the details, but on current estimates, the investments would extend over 10 years and total about US$100 billion (nearly two times the 2017 GDP). However, given the dearth of information, these investments are not incorporated in the authorities' and staff macroeconomic projections.